

# **TITLE 872 INDIANA BOARD OF ACCOUNTANCY**

## **Proposed Rule**

LSA Document #04-290

### **DIGEST**

Amends 872 IAC 1-2-1 to address the ethical requirements for licensees by incorporating by reference the July 1, 2004, pronouncements on professional standards of the American Institute of Certified Public Accountants (to apply to certified public accountants) and the May 1, 2003, Rules of Professional Conduct of the National Society of Accountants (to apply to accounting practitioners and public accountants). Effective 30 days after filing with the secretary of state.

### **872 IAC 1-2-1**

SECTION 1. 872 IAC 1-2-1 IS AMENDED TO READ AS FOLLOWS:

#### **872 IAC 1-2-1 Rules of professional conduct; applicability**

**Authority:** IC 25-2.1-2-15

**Affected:** IC 4-22-2; IC 23-1.5; IC 25-1-11-12; IC 25-2.1

Sec. 1. (a) In the interpretation and enforcement of this rule, the board will give consideration, but not necessarily dispositive weight, to relevant interpretations, rulings, and opinions issued by the boards of other jurisdictions and by appropriately authorized committees on ethics of professional organizations.

(b) No licensee of the board shall violate the following standards for the competent practice of accounting appropriate to establish and maintain a high standard of integrity and dignity in the profession of public accountancy, which are incorporated by reference as if fully set out in this rule:

(1) The following pronouncements on professional standards set forth in the AICPA Professional Standards, Volumes 1 and 2 (~~June 1, 1999~~), **(June 1, 2004)**, subject to the exceptions listed in subsection (c) (applicable to certified public accountants only):

(A) ~~Code of Professional Conduct~~ **U.S. Auditing - AICPA, including the following:**

(i) **Statement on Auditing Standards - Introduction.**

(ii) **The General Standards.**

(iii) **The Standards of Field Work.**

(iv) **The First, Second, and Third Standards of Reporting.**

(v) **The Fourth Standard of Reporting.**

(vi) **Other Types of Reports.**

(vii) **Special Topics.**

(viii) **Compliance Auditing.**

**(ix) Special Reports of the Committee on Auditing Procedure.**

(B) Statements on ~~Auditing~~ **Standards for Attestation Engagements.**

(C) Statements on Standards for ~~Attestation Engagements~~ **Accounting and Review Services.**

(D) ~~Statements on Standards for Accounting and Review Services.~~ **Code of Professional Conduct.**

(E) Statement on Standards for Consulting Services.

**(F) Tax Services.**

**(G) Personal Financial Planning.**

(2) Professional corporation act at IC 23-1.5.

(3) National Society of Accountants (NSA) Rules of Professional Conduct, ~~1998~~, **May 1, 2003**, excluding the interpretations and Rule ~~42~~ **9** (professional referrals) and the **NSA Code of Ethics, August 2004** (applicable to accounting practitioners and public accountants only).

(c) As incorporated by reference in subsection (b)(1), the AICPA professional standards is amended to read as follows:

(1) ET 50 (Principles of Professional Conduct) is deleted.

(2) The third paragraph of Rule 505 (Form of Organization and Name) is deleted.

(3) The phrase “standards promulgated by bodies designated by Council”, or any similar reference, shall mean the standards incorporated by reference in subsection (b)(1).

(d) Notwithstanding the use of the word “should” in the AICPA pronouncements incorporated by reference in subsection (b)(1)(B) through (b)(1)(E), a certified public accountant must comply with the pronouncements or must justify any departures therefrom.

(e) It shall be deemed incompetent practice contrary to high standards of integrity and dignity in the profession of certified public accountancy for a licensee of the board to be found by a court of competent jurisdiction to have engaged in accounting practices falling below professional standards in Indiana.

(f) As used in this rule, “member”, as used in the AICPA Professional Standards and the NSA Rules of Professional Conduct **and NSA Code of Ethics**, means licensee.

(g) Where matters incorporated by reference in this section conflict with express provisions of:

(1) IC 25-2.1 (accountancy act);

(2) IC 23-1.5 (professional corporation act); or

(3) rules adopted by the board;

the express provisions control.

(h) No subsequent editions, amendments, supplements, or releases of the AICPA Professional Standards or the NSA Rules of Professional Standards or the NSA Rules of Professional Conduct will be in effect in Indiana or adopted by the board, except by following the rulemaking provisions of IC 4-22-2.

(i) The standards incorporated by reference in subsection (b) apply to conduct that occurs after ~~January 31, 2004~~. **December 31, 2005**. This subsection shall not be

construed to extinguish the board's authority to impose any sanction under IC 25-1-11-12 for conduct that occurred before ~~February 1, 2001~~, **January 1, 2006**, in violation of a previous version of this section.

(j) A copy of the AICPA Professional Standards and the NSA Rules of Professional Conduct are available for public inspection at the offices of the Indiana Professional Licensing Agency, ~~302~~ **402** West Washington Street, Room ~~E034~~, **W072**, Indianapolis, Indiana 46204. Copies of the AICPA Professional Standards are available from the entity originally issuing the document, the American Institute of Certified Public Accountants, 1211 Avenue of the Americas, New York, New York 10036-8775. Copies of the NSA Rules of Professional Conduct are also available from the entity originally issuing the document, the National Society of Accountants, 1010 North Fairfax Street, Alexandria, Virginia 22314. (*Indiana Board of Accountancy; Rule 69-1, 39; filed Jun 30, 1978, 9:54 a.m.: 11R 402; filed Aug 18, 1983, 3:20 p.m.: 6 IR 1932; filed May 1, 1984, 12:50 p.m.: 7 IR 1544; filed Mar 20, 1985, 3:25 p.m.: 8 IR 1040; filed Aug 28, 1986, 3:20 p.m.: 10 IR 68; filed Dec 11, 1992, 5:00 p.m.: 16 IR 1399; filed Feb 24, 1997, 4:00 p.m.: 20 IR 1736; filed Dec 18, 2000, 9:27 a.m.: 24 IR 1353, eff Feb 1, 2001; readopted filed Jun 22, 2001, 8:57 a.m.: 24 IR 3824*)

### **Notice of Public Hearing**

*Under IC 4-22-2-24, notice is hereby given that on September 16, 2005 at 10:15 a.m., at the Indiana Government Center-South, 402 West Washington Street, Conference Center Room 5, Indianapolis, Indiana the Indiana Board of Accountancy will hold a public hearing on proposed amendments to address the ethical requirements for licensees by incorporating by reference the July 1, 2004, pronouncements on professional standards of the American Institute of Certified Public Accountants (to apply to certified public accountants) and the May 1, 2003, Rules of Professional Conduct of the National Society of Accountants (to apply to accounting practitioners and public accountants). Copies of these rules are now on file at the Indiana Government Center-South, 402 West Washington Street, Room W072 and Legislative Services Agency, One North Capitol, Suite 325, Indianapolis, Indiana and are open for public inspection.*

*The Indiana Board of Accountancy has the authority to adopt rules for professional conduct directed to controlling the quality and probity of the practice of accountancy by licensees, including independence, integrity, and objectivity, competence and technical standards, and responsibilities to the public and clients. This proposed rule incorporates the profession's rules of professional conduct for the practice of accountancy. This rule will have no cost on the regulated entities since the amendments simply incorporates the latest edition of the rules of professional conduct and updates the exclusions based on the latest edition.*

Frances L. Kelly  
Executive Director  
Indiana Professional Licensing Agency